

HUD PD&R Regional Reports

Region 8: Rocky Mountain



Quick Facts About Region 8

Salt Lake City, Utah

By James Conner | 1st quarter 2014



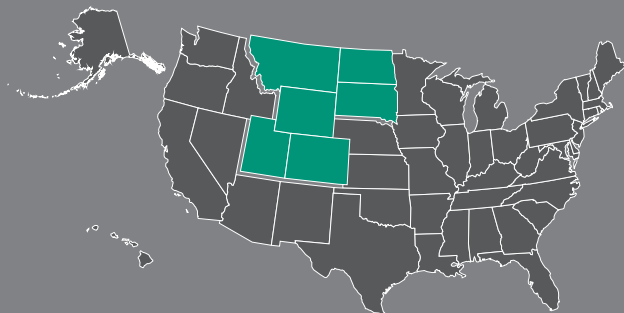
Sales market conditions—

First quarter 2014: slightly tight.
Fourth quarter 2013: balanced.
First quarter 2013: balanced.



Apartment market conditions—

First quarter 2014: mixed (balanced to tight).
Fourth quarter 2013: mixed (balanced to tight).
First quarter 2013: mixed (balanced to tight).



Overview

The economy in the Rocky Mountain region grew at a healthy rate in the first quarter of 2014. Nonfarm payrolls were up 2.5 percent from a year earlier. Sales housing markets continued to strengthen, with sales prices for existing single-family homes up more than 5 percent in every state in the region. Rental housing demand remained strong in the first quarter of 2014, and apartment market conditions ranged from balanced to tight in most metropolitan areas. Residential construction activity was up moderately in the region overall, despite a decline in building activity in some states.

- The population of the Rocky Mountain region grew 1.6 percent from July 2012 to July 2013, a rate more than double that of the nation (Census Bureau estimates).
- Population increases and tourism growth contributed to job gains. In the first quarter of 2014, the greatest increases in nonfarm payrolls occurred in the wholesale and retail trade, leisure and hospitality, and professional and business services sectors; the states with the highest job growth rates in the region were North Dakota and Colorado, with nonfarm payroll increases of 3.9 and 2.9 percent, respectively.

continued on page 2



continued from page 1

- Average sales prices for existing single-family homes were up 8 percent or more in the Denver, Salt Lake City, Fort Collins, and Fargo metropolitan areas in the 12 months ending February 2014.
- Although many apartment units were completed in the past 12 months, apartment market conditions remained tight in many metropolitan areas in the region.

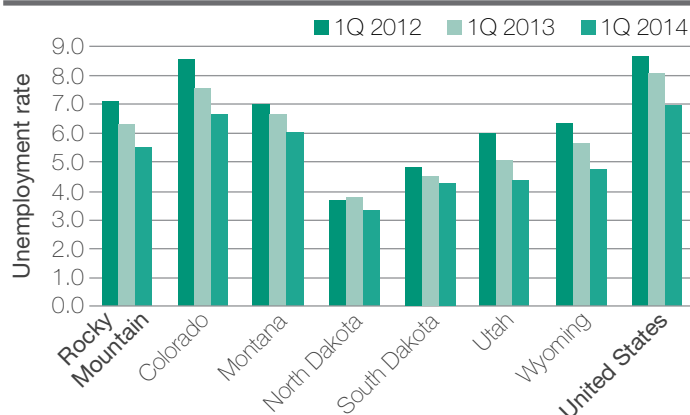
- The total number of single-family homes and multifamily units permitted in the region during the first quarter of 2014 was up 6 percent from a year ago. Severe winter weather may have contributed to weaker than normal growth in homebuilding activity in the region.

Economic Conditions

The pace of economic growth in the Rocky Mountain region accelerated in the first quarter of 2014. Nonfarm payrolls averaged 5.28 million jobs, an increase of 128,800 jobs, or 2.5 percent, from the number of jobs a year earlier. In the first quarter of 2013, by comparison, nonfarm payrolls were up 1.9 percent from a year earlier. Payrolls increased in every nonfarm sector in the first quarter of 2014, with the greatest gains occurring in the wholesale and retail trade, leisure and hospitality, and professional and business services sectors. Combined, those three sectors added 66,400 jobs. Much of the job growth was a result of population gains, which led to increased construction activity and rising demand for healthcare and professional services. In addition, growth in the tourism and energy industries contributed to payroll gains. The unemployment rate for the region averaged 5.5 percent during the first quarter of 2014, down from 6.3 percent a year earlier. State unemployment rates ranged from 3.3 percent in North Dakota to 6.6 percent in Colorado, but the rates for every state in the region were less than the 6.9-percent national average.

continued on page 3

Unemployment rates were down in every state in the Rocky Mountain region.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Payrolls in every nonfarm sector in the Rocky Mountain region increased in the first quarter of 2014.

	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,151.2	5,280.0	128.8	2.5
Goods-producing sectors	710.2	735.0	24.8	3.5
Mining, logging, and construction	368.8	386.3	17.5	4.7
Manufacturing	341.3	348.7	7.4	2.2
Service-providing sectors	4,441.0	4,545.0	104.0	2.3
Wholesale and retail trade	779.2	802.7	23.5	3.0
Transportation and utilities	194.8	198.3	3.5	1.8
Information	126.4	126.8	0.4	0.3
Financial activities	305.0	310.2	5.2	1.7
Professional and business services	646.5	666.7	20.2	3.1
Education and health services	675.1	691.7	16.6	2.5
Leisure and hospitality	570.7	593.3	22.6	4.0
Other services	192.9	196.1	3.2	1.7
Government	950.4	959.2	8.8	0.9

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

continued from page 2

During the first quarter of 2014—

- North Dakota continued to have the highest job growth rate in the nation, with nonfarm payrolls increasing by 16,600 jobs, or 3.9 percent, from a year ago, led by growth in energy-related activity in western North Dakota. Mining and logging subsector payrolls increased by 3,100 jobs, or 12.4 percent, and payrolls in the wholesale and retail trade and the transportation and utilities sectors increased by 4,300 and 1,900 jobs, or 5.9 and 7.6 percent, respectively.
- Colorado had the greatest total job gain in the region and the fourth highest job growth rate in the nation. Strong population growth led to increased demand for services, and payrolls in the professional and business services and the education and health

services sectors grew by 15,600 and 9,400 jobs, or 4.3 and 3.3 percent, respectively. Growth in tourism led to a gain of 14,500 jobs, or 5.1 percent, in the leisure and hospitality sector.

- In Utah, nonfarm payrolls rose by 34,400 jobs, or 2.7 percent. Population growth contributed to payroll increases in the construction subsector and the education and health services sector of 4,400 and 3,800 jobs, or 6.5 and 2.2 percent, respectively. Increases in tourism contributed to gains in the wholesale and retail trade and the leisure and hospitality sectors of 6,100 and 5,700 jobs, or 3.2 and 4.7 percent, respectively.
- Job growth was moderate in Montana, Wyoming, and South Dakota, with nonfarm payrolls increasing by 4,000, 3,400, and 2,800 jobs, or 0.9, 1.2, and 0.7 percent, respectively.

Population

The population in the Rocky Mountain region grew at a relatively high rate from July 2012 to July 2013, increasing by nearly 173,500, or 1.6 percent, compared with a 0.7-percent growth rate for the nation. State growth rates in the region ranged from 1.0 percent in Montana to 3.1 percent in North Dakota (the highest rate in the nation); Utah, Colorado, and South Dakota were also among the six fastest growing states in the nation. More than 50 percent of the population growth in the region resulted from net in-migration, which totaled nearly 87,800 people, up from 70,400 people during the previous 12 months. Net natural change (resident births minus resident deaths) in the region totaled approximately 84,600 people, up slightly from 83,900 people during the previous 12 months.

During the 12 months ending July 1, 2013—

- The population of North Dakota grew by more than 22,000, primarily a result of increased net in-migration, which totaled

more than 18,000 people, up from 12,200 people during the previous 12 months. Continued growth in energy-related activity in the Bakken Oil Shale Formation created enormous demand for additional workers in the state.

- Colorado had the greatest population gain in the region, totaling approximately 78,900 people. Nearly 60 percent of the growth was the result of net in-migration, which totaled approximately 44,850 people, up from 38,200 people during the previous 12 months. Colorado continued to be one of the top migration destinations in the nation, particularly for people ages 25 to 34.
- In Utah, more than 75 percent of the population growth resulted from net natural change, which totaled nearly 36,000 people. Utah continued to have the highest birth rate in the nation, 17.7 births per 1,000 people, compared with the national average of 12.5.

Population growth accelerated in nearly every state in the Rocky Mountain region.

	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
Rocky Mountain	11,006,752	11,161,841	11,335,332	1.4	1.6
Colorado	5,118,400	5,189,458	5,268,367	1.4	1.5
Montana	997,600	1,005,494	1,015,165	0.8	1.0
North Dakota	684,867	701,345	723,393	2.4	3.1
South Dakota	823,772	834,047	844,877	1.2	1.3
Utah	2,814,784	2,854,871	2,900,872	1.4	1.6
Wyoming	567,329	576,626	582,658	1.6	1.0

Source: U.S. Census Bureau

Sales Market Conditions

Demand for sales housing in the Rocky Mountain region continued to strengthen in the first quarter of 2014. As a result, sales housing market conditions in the region were slightly tight. In Colorado, existing single-family home sales during the 12 months ending February 2014 increased 11.7 percent from a year earlier (CoreLogic, Inc.). In Montana, Utah, and Wyoming, sales were up nearly 4 percent each. In North Dakota, however, existing home sales declined more than 9 percent, in part because of a lack of available inventory. Average sales prices for existing single-family homes were up significantly from a year earlier in many metropolitan areas of the region during the 12 months ending February 2014. Existing home price increases ranged from 5 percent in Montana to more than 11 percent in Utah and Wyoming (CoreLogic, Inc. Home Price Index). The strengthening sales market contributed to a decline in the rate of distressed mortgages in every state in the region. In March 2014, 2.5 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 3.4 percent a year earlier (Black Knight Financial Services, Inc.). Distressed mortgage rates ranged from 1.4 percent in North Dakota to 3.2 percent in Utah, and the rates for every state in the region were less than the 5.6-percent national rate.

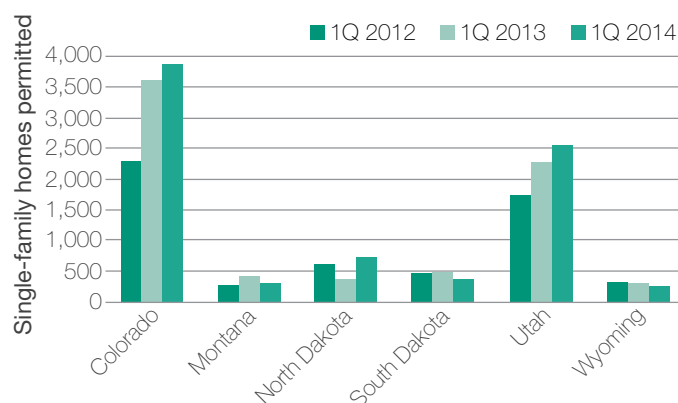
Strengthening home sales demand also led to an increase in single-family home construction in the region; however, the rate of growth in homebuilding decreased in the past year, and construction activity declined in some states.

During the first quarter of 2014 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, was up 8 percent in the Rocky Mountain region from the same period a year earlier, to approximately 8,075 homes. By comparison, single-family home construction in the first quarter of 2013 was up 31 percent from a year earlier.

- In Colorado and Utah, approximately 3,875 and 2,525 single-family homes were permitted, increases of 7 and 12 percent, respectively, from a year earlier. In Colorado, 85 percent of the homes permitted were in the Denver, Colorado Springs, Greeley, or Fort Collins metropolitan areas. In Utah, 70 percent of single-family homes permitted were in the Salt Lake City, Ogden, or Provo metropolitan areas.
- In North Dakota, single-family construction more than doubled, to 740 homes permitted.
- Single-family construction declined, however, in Montana, South Dakota, and Wyoming, to approximately 310, 370, and 260 homes permitted, decreases of 29, 27, and 12 percent, respectively. The decreases in homebuilding activity may have been partly caused by an unusually long and severe winter in the region.

Single-family homebuilding was up in the Rocky Mountain region overall but down in some states.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

Sales and prices for existing homes were up significantly from a year ago in many metropolitan areas in the Rocky Mountain region.

		Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Billings (E)	February	3,250	3,050	-6	AVG	213,350	226,525	6
Cheyenne (E)	February	2,100	2,150	2	AVG	207,400	209,400	1
Colorado Springs (E)	February	11,525	12,350	7	AVG	208,050	219,425	5
Denver (E)	February	50,150	58,325	16	AVG	269,900	293,850	9
Fargo (E)	February	4,150	4,350	5	AVG	164,900	178,875	8
Fort Collins (E)	February	6,575	7,125	8	AVG	243,300	261,650	8
Provo (E)	February	8,925	9,250	4	AVG	235,900	253,000	7
Salt Lake City (E)	February	20,400	21,425	5	AVG	240,650	263,875	10

AVG = average. E = existing.

Note: Single-family homes only.

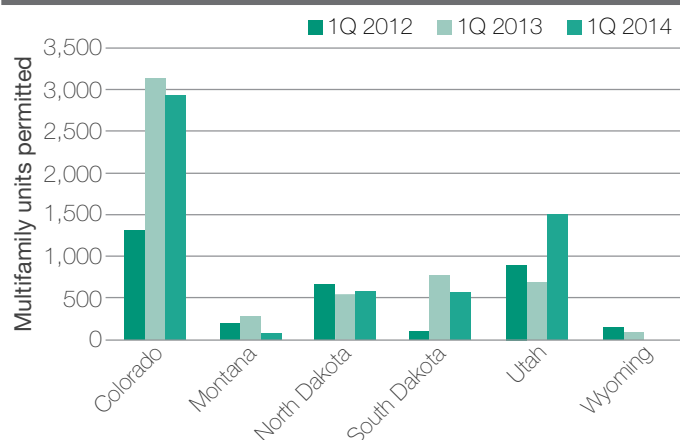
Source: CoreLogic, Inc.



Apartment Market Conditions

Rental housing demand in the Rocky Mountain region remained strong in the first quarter of 2014, a result of continued employment gains and strong population growth, but tight apartment market conditions eased in some metropolitan areas as new supply entered the market. As of the first quarter of 2014, apartment market conditions ranged from balanced to tight in most metropolitan areas in the region. In the Denver metropolitan area, conditions remained tight, with a 4.7-percent vacancy rate, down from 4.9 percent a year ago (*Apartment Insights*). The average apartment rent was up 8 percent, to approximately \$1,045. Because more than 36,000 units are under construction or in planning in the Denver metropolitan

Despite multifamily construction declines in some states, activity was up for the Rocky Mountain region.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

area, the market may begin to soften in the next 12 months. In the Colorado Springs metropolitan area, nearly 1,300 units were completed in 2012 and 2013, and the apartment market has since softened. The apartment vacancy rate was 6.2 percent in the first quarter of 2014, up from 5.8 percent a year ago. Apartment market conditions tightened significantly, however, in the Greeley metropolitan area, partly because of oil exploration and drilling activity in the nearby Niobrara Formation. The apartment vacancy rate in the first quarter of 2014 was 1.6 percent, down from 2.9 percent a year ago, and average rents were up 9 percent, to approximately \$775.

In the Salt Lake City metropolitan area, apartment market conditions were tight in the first quarter of 2014, with a 3.3-percent vacancy rate, down from the 3.8-percent rate of a year ago. The average apartment rent increased 2 percent, to approximately \$825. Approximately 7,000 units are under construction or in planning in the Salt Lake City metropolitan area. In the Provo metropolitan area, the apartment market softened in the past year as new units were completed. Apartment conditions were balanced in the first quarter of 2014, with a 5.1-percent vacancy rate, up from the 3.5-percent rate of a year ago, and apartment rents increased 2 percent, to about \$810 (Reis, Inc.). In the Fargo metropolitan area, conditions eased slightly but remained tight. The apartment vacancy rate in March 2014 was 3.6 percent, up from 3.1 percent a year earlier (Appraisal Services, Inc.).

Growth in multifamily construction in the Rocky Mountain region moderated in the past year, as tight apartment market conditions eased and completions began to outpace demand in some metropolitan areas. In addition, severe winter weather in parts of the region may have led to a temporary drop in multifamily permitting.

continued on page 6

Apartment market conditions eased in some areas as new supply entered the market, but conditions remained tight in most market areas in the Rocky Mountain region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Billings	Tight	NA	NA	NA	NA	NA	NA
Cheyenne	Somewhat tight	NA	NA	NA	NA	NA	NA
Colorado Springs	Balanced	5.8	6.2	0.4	750	780	4
Denver	Tight	4.9	4.7	-0.2	970	1,045	8
Fargo*	Tight	3.1	3.6	0.5	NA	NA	NA
Provo	Balanced	3.5	5.1	1.6	795	810	2
Salt Lake City	Tight	3.8	3.3	-0.5	810	825	2
Sioux Falls**	Somewhat tight	3.6	4.3	0.7	NA	NA	NA

1Q = first quarter. NA = data not available.

* Data as of March 15. ** Data as of January 15.

Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—*Apartment Insights*; Appraisal Services, Inc.; Reis, Inc.; South Dakota Multi-Housing Association

continued from page 5

During the first quarter of 2014 (preliminary data)—

- Approximately 5,700 multifamily units were permitted in the region, a 4-percent increase from a year earlier. By comparison, the number of multifamily units permitted in the first quarter of 2013 was up 65 percent from a year earlier.
- Multifamily construction more than doubled in Utah, to approximately 1,510 units permitted. More than 50 percent of the units were in the Salt Lake City metropolitan area.
- In Colorado, approximately 2,940 multifamily units were permitted, down 6 percent from a year earlier. Despite the decline, Colorado accounted for more than one-half of all multifamily construction in the region. Within Colorado, nearly 80 percent of the units permitted were in the Denver and Boulder metropolitan areas.
- Multifamily building activity in South Dakota, Montana, and Wyoming was down 25, 74, and 81 percent, to approximately 575, 75, and 15 units permitted, respectively, but multifamily construction in North Dakota increased 8 percent, to nearly 600 units.